

CITY OF NESS CITY, KANSAS

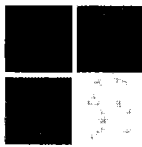
Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2010

CITY OF NESS CITY, KANSAS
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2010

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Ness City, Kansas
Ness City, Kansas

We have audited the accompanying financial statements of **City of Ness City, Kansas**, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of **City of Ness City, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **City of Ness City, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Ness City, Kansas**, as of December 31, 2010, or the changes in its financial position for the year then ended. Further, **City of Ness City, Kansas** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Ness City, Kansas**, as of December 31, 2010, and their respective cash receipts and disbursements and budgetary results for the year then ended on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

August 15, 2011

CITY OF NESS CITY, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund							
General Fund	\$ 334,710	-	629,611	704,889	259,432	94,995	354,427
Special Revenue Funds							
Special Highway Fund	12,243	-	33,157	35,398	10,002	17	10,019
Special Parks and Recreation Fund	4,648	-	78	-	4,726	-	4,726
Industrial Development Fund	17,925	-	10,157	4,480	23,602	-	23,602
Library Fund	857	-	56,298	56,682	473	-	473
Library Employee Benefit Fund	395	-	29,443	29,658	180	-	180
Capital Improvements Fund	27,348	-	80,000	67,856	39,492	-	39,492
Equipment Reserve Fund	83,546	-	35,500	39,519	79,527	-	79,527
Guest Tax Fund	2,598	-	13,512	-	16,110	-	16,110
Capital Project Funds							
Airport Improvements Fund	206,956	-	23,050	54,078	175,928	155	176,083
Chestnut Bridge Project Fund	47,073	-	157,520	200,203	4,390	2,072	6,462
Proprietary Fund Category							
Enterprise Funds							
Water Utility Fund	788,833	-	415,427	365,948	838,312	11,793	850,105
Sewer Utility Fund	230,819	-	145,499	127,587	248,731	4,057	252,788
Solid Waste Disposal Fund	54,597	-	93,468	89,292	58,773	7,476	66,249
Total Primary Government	1,812,548	-	1,722,720	1,775,590	1,759,678	120,565	1,880,243
Component Unit							
Ness City Public Library	59,030	-	104,297	98,344	64,983	-	64,983
Total Reporting Entity	<u>\$ 1,871,578</u>	<u>-</u>	<u>1,827,017</u>	<u>1,873,934</u>	<u>1,824,661</u>	<u>120,565</u>	<u>1,945,226</u>
Composition of Cash							
					Checking Accounts	\$	999,259
					Savings Accounts		774
					Certificates of Deposit		880,210
					Total Primary Government		<u>1,880,243</u>
					Total Component Unit		<u>64,983</u>
					Total Reporting Entity	<u>\$</u>	<u>1,945,226</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund					
General Fund	\$ 707,950	-	707,950	704,889	(3,061)
Special Revenue Funds					
Special Highway Fund	46,639	-	46,639	35,398	(11,241)
Special Parks and Recreation Fund	5,560	-	5,560	-	(5,560)
Industrial Development Fund	11,256	-	11,256	4,480	(6,776)
Library Fund	56,682	-	56,682	56,682	-
Library Employee Benefit Fund	29,658	-	29,658	29,658	-
Proprietary Fund Category					
Enterprise Funds					
Water Utility Fund	452,190	-	452,190	365,948	(86,242)
Sewer Utility Fund	159,000	-	159,000	127,587	(31,413)
Solid Waste Disposal Fund	95,000	-	95,000	89,292	(5,708)

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 149,494	139,660	138,625	1,035
Delinquent	1,209	1,164	-	1,164
Motor Vehicle	45,608	48,707	49,288	(581)
Intangible	33,276	28,481	26,987	1,494
Special Assessments	300	-	-	-
Total Taxes	<u>229,887</u>	<u>218,012</u>	<u>214,900</u>	<u>3,112</u>
Intergovernmental				
Local City Sales Tax	204,923	210,399	172,500	37,899
Local Alcoholic Liquor Tax	606	80	779	(699)
Connecting Links	5,120	5,124	5,100	24
Total Intergovernmental	<u>210,649</u>	<u>215,603</u>	<u>178,379</u>	<u>37,224</u>
Licenses and Permits				
Franchise Fees	122,704	109,612	90,000	19,612
Licenses and Permits	4,259	7,020	2,000	5,020
Total Licenses and Permits	<u>126,963</u>	<u>116,632</u>	<u>92,000</u>	<u>24,632</u>
Fines and Forfeitures				
Fines	17,739	9,090	20,000	(10,910)
Use of Money and Property				
Interest	10,024	8,944	10,000	(1,056)
Miscellaneous				
Swimming Pool	3,878	4,037	4,000	37
Recycling Revenue	3,352	6,999	2,500	4,499
Insurance Proceeds	3,292	35,377	-	35,377
Sale of Equipment	-	14,788	-	14,788
Other	2,159	129	-	129
Total Miscellaneous	<u>12,681</u>	<u>61,330</u>	<u>6,500</u>	<u>54,830</u>
Total Cash Receipts	<u>\$ 607,943</u>	<u>629,611</u>	<u>521,779</u>	<u>107,832</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures				
General and Administrative				
Personal Services	\$ 48,844	55,547	52,000	3,547
Contractual Services	26,213	65,025	37,500	27,525
Commodities	9,538	9,811	15,000	(5,189)
Capital Outlay	-	11,983	5,000	6,983
Christmas Light Funding	500	500	500	-
Total General and Administrative	<u>85,095</u>	<u>142,866</u>	<u>110,000</u>	<u>32,866</u>
Police Department				
Contractual Services	<u>147,368</u>	<u>146,351</u>	<u>145,000</u>	<u>1,351</u>
Street Department				
Personal Services	18,111	27,854	35,000	(7,146)
Contractual Services	7,755	8,478	13,000	(4,522)
Commodities	83,663	92,774	50,000	42,774
Capital Outlay	-	2,850	47,500	(44,650)
Total Street Department	<u>109,529</u>	<u>131,956</u>	<u>145,500</u>	<u>(13,544)</u>
Employee Benefits				
Contractual Services	-	-	2,000	(2,000)
Health Insurance	37,673	32,858	36,000	(3,142)
Social Security	9,138	11,100	11,000	100
Workman's Compensation	4,529	2,529	7,000	(4,471)
KPERS	4,947	7,152	5,000	2,152
Unemployment	248	207	250	(43)
Total Employee Benefits	<u>56,535</u>	<u>53,846</u>	<u>61,250</u>	<u>(7,404)</u>
Fire Department				
Contractual Services	<u>147</u>	<u>169</u>	<u>-</u>	<u>169</u>
Street Lighting				
Contractual Services	<u>29,065</u>	<u>26,637</u>	<u>33,000</u>	<u>(6,363)</u>
Swimming Pool				
Personal Services	20,593	23,484	20,000	3,484
Contractual Services	2,500	2,508	5,000	(2,492)
Commodities	6,303	7,454	8,000	(546)
Capital Outlay	671	-	-	-
Total Swimming Pool	<u>\$ 30,067</u>	<u>33,446</u>	<u>33,000</u>	<u>446</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures (continued)				
Noxious Weeds				
Contractual Services	\$ 253	56	500	(444)
Commodities	2,275	59	4,000	(3,941)
Total Noxious Weeds	2,528	115	4,500	(4,385)
Park Improvement				
Personal Services	5,323	8,796	6,000	2,796
Contractual Services	1,617	2,490	2,000	490
Commodities	2,508	3,467	7,500	(4,033)
Capital Outlay	-	-	2,000	(2,000)
Total Park Improvement	9,448	14,753	17,500	(2,747)
Recycling				
Personal Services	12,187	9,476	10,700	(1,224)
Contractual Services	2,217	5,461	5,000	461
Commodities	1,162	1,313	3,000	(1,687)
Capital Outlay	-	-	1,000	(1,000)
Total Recycling	15,566	16,250	19,700	(3,450)
Appropriations				
Airport	3,000	3,000	3,000	-
Library	10,000	-	-	-
Total Appropriations	13,000	3,000	3,000	-
Transfers Out	135,500	135,500	135,500	-
Total Expenditures	633,848	704,889	707,950	(3,061)
Cash Receipts Over (Under) Expenditures	(25,905)	(75,278)		
Unencumbered Cash - Beginning	360,615	334,710		
Unencumbered Cash - Ending	\$ 334,710	259,432		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Intergovernmental				
State Gasoline Tax	\$ 32,062	33,157	37,200	(4,043)
Expenditures				
Personal Services	15,861	24,666	10,000	14,666
Contractual Services	-	-	5,000	(5,000)
Commodities	13,397	10,732	31,639	(20,907)
Total Expenditures	29,258	35,398	46,639	(11,241)
Cash Receipts Over (Under) Expenditures	2,804	(2,241)		
Unencumbered Cash - Beginning	9,439	12,243		
Unencumbered Cash - Ending	\$ 12,243	10,002		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Special Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		<u>Current Year</u>		
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
Intergovernmental				
Local Alcoholic Liquor Tax	\$ 608	78	779	(701)
Expenditures				
Culture and Recreation	-	-	5,560	(5,560)
Cash Receipts Over (Under) Expenditures	608	78		
Unencumbered Cash - Beginning	4,040	4,648		
Unencumbered Cash - Ending	\$ 4,648	4,726		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Industrial Development Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Taxes				
Ad Valorem	\$ 487	9,868	9,904	(36)
Delinquent	4	130	-	130
Motor Vehicle	163	159	161	(2)
Use of Money and Property				
Interest	784	-	-	-
Total Cash Receipts	1,438	10,157	10,065	92
Expenditures				
Industrial Development	34,203	4,480	11,256	(6,776)
Cash Receipts Over (Under) Expenditures	(32,765)	5,677		
Unencumbered Cash - Beginning	50,690	17,925		
Unencumbered Cash - Ending	\$ 17,925	23,602		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS

Library Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 32,588	45,362	45,024	338
Delinquent	282	280	-	280
Motor Vehicle	10,869	10,656	10,723	(67)
Total Cash Receipts	43,739	56,298	55,747	551
Expenditures				
Appropriations	44,419	56,682	56,682	-
Cash Receipts Over (Under) Expenditures	(680)	(384)		
Unencumbered Cash - Beginning	1,537	857		
Unencumbered Cash - Ending	\$ 857	473		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Library Employee Benefit Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 21,515	22,228	22,064	164
Delinquent	177	168	-	168
Motor Vehicle	7,280	7,047	7,082	(35)
Total Cash Receipts	<u>28,972</u>	<u>29,443</u>	<u>29,146</u>	<u>297</u>
Expenditures				
Social Security	3,490	3,563	3,563	-
Unemployment Taxes	165	282	282	-
Health and Workman's Comp Insurance	23,004	23,004	23,004	-
KPERS	2,721	2,809	2,809	-
Total Expenditures	<u>29,380</u>	<u>29,658</u>	<u>29,658</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	(408)	(215)		
Unencumbered Cash - Beginning	<u>803</u>	<u>395</u>		
Unencumbered Cash - Ending	<u>\$ 395</u>	<u>180</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Capital Improvements Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 80,000	80,000
Expenditures		
Commodities	40,000	20,666
Capital Outlay	8,487	490
Transfers Out	50,000	46,700
Total Expenditures	98,487	67,856
Cash Receipts Over (Under) Expenditures	(18,487)	12,144
Unencumbered Cash - Beginning	45,835	27,348
Unencumbered Cash - Ending	\$ 27,348	39,492

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Equipment Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 35,500	35,500
Expenditures		
Capital Outlay	25,747	39,519
Cash Receipts Over (Under) Expenditures	9,753	(4,019)
Unencumbered Cash - Beginning	73,793	83,546
Unencumbered Cash - Ending	\$ 83,546	79,527

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Guest Tax Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Taxes		
Guest Tax	\$ 2,598	13,512
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	2,598	13,512
Unencumbered Cash - Beginning	-	2,598
Unencumbered Cash - Ending	\$ 2,598	16,110

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Airport Improvements Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental		
Appropriations	\$ 33,333	-
Use of Money and Property		
Interest	4,368	3,050
Transfers In	20,000	20,000
Total Cash Receipts	<u>57,701</u>	<u>23,050</u>
Expenditures		
Personal Services	358	-
Contractual Services	5,532	39,269
Capital Outlay	-	14,809
Total Expenditures	<u>5,890</u>	<u>54,078</u>
Cash Receipts Over (Under) Expenditures	51,811	(31,028)
Unencumbered Cash - Beginning	<u>155,145</u>	<u>206,956</u>
Unencumbered Cash - Ending	<u>\$ 206,956</u>	<u>175,928</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Chestnut Bridge Project Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental		
State Aid	\$ -	110,820
Transfers In	50,000	46,700
Total Cash Receipts	50,000	157,520
Expenditures		
Capital Outlay	2,927	200,203
Cash Receipts Over (Under) Expenditures	47,073	(42,683)
Unencumbered Cash - Beginning	-	47,073
Unencumbered Cash - Ending	\$ 47,073	4,390

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Water Sales	\$ 369,368	394,377	365,000	29,377
Interest	22,526	18,800	12,000	6,800
Late Charges	2,089	2,250	2,000	250
Insurance Proceeds	6,445	-	-	-
Total Cash Receipts	<u>400,428</u>	<u>415,427</u>	<u>379,000</u>	<u>36,427</u>
Expenditures				
Production				
Personal Services	46,998	38,337	70,000	(31,663)
Contractual Services	38,829	46,174	37,000	9,174
Commodities	37,583	56,894	25,000	31,894
Capital Outlay	-	-	1,000	(1,000)
Total Production	<u>123,410</u>	<u>141,405</u>	<u>133,000</u>	<u>8,405</u>
Transmission and Distribution				
Contractual Services	5,568	8,848	4,000	4,848
Commodities	23,096	43,620	30,000	13,620
Capital Outlay	146,581	5,864	68,000	(62,136)
Total Transmission and Distribution	<u>175,245</u>	<u>58,332</u>	<u>102,000</u>	<u>(43,668)</u>
Commercial and General				
Personal Services	26,350	28,557	40,000	(11,443)
Contractual Services	21,487	22,046	25,000	(2,954)
Commodities	2,660	2,358	3,000	(642)
Capital Outlay	-	2,943	5,000	(2,057)
Total Commercial and General	<u>50,497</u>	<u>55,904</u>	<u>73,000</u>	<u>(17,096)</u>
Employee Benefits				
Health Insurance	21,082	16,433	27,600	(11,167)
Social Security	5,439	4,980	6,500	(1,520)
Workman's Compensation	1,744	708	1,500	(792)
KPERS	4,000	4,477	4,500	(23)
Total Employee Benefits	<u>\$ 32,265</u>	<u>26,598</u>	<u>40,100</u>	<u>(13,502)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures (continued)				
Non-Operating Expenses				
Sales Tax	\$ 3,841	3,703	5,000	(1,297)
Debt Service	76,090	76,090	76,090	-
Miscellaneous	3,746	3,916	23,000	(19,084)
Total Non-Operating Expenses	<u>83,677</u>	<u>83,709</u>	<u>104,090</u>	<u>(20,381)</u>
 Total Expenditures	 <u>465,094</u>	 <u>365,948</u>	 <u>452,190</u>	 <u>(86,242)</u>
 Cash Receipts Over (Under) Expenditures	 (64,666)	 49,479		
 Unencumbered Cash - Beginning	 <u>853,499</u>	 <u>788,833</u>		
 Unencumbered Cash - Ending	 \$ <u><u>788,833</u></u>	 <u><u>838,312</u></u>		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Sewer Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sewer Service Charges	\$ 89,232	102,201	87,000	15,201
Interest	2,989	3,182	2,000	1,182
Commercial Utility	28,370	40,116	26,000	14,116
Miscellaneous	566	-	8,219	(8,219)
Total Cash Receipts	<u>121,157</u>	<u>145,499</u>	<u>123,219</u>	<u>22,280</u>
Expenditures				
Collection Maintenance				
Personal Services	20,728	19,606	32,000	(12,394)
Contractual Services	15,423	16,252	10,000	6,252
Commodities	5,698	12,409	10,000	2,409
Capital Outlay	-	4,000	10,000	(6,000)
Employee Benefits	9,238	6,126	10,000	(3,874)
Total Collection Maintenance	<u>51,087</u>	<u>58,393</u>	<u>72,000</u>	<u>(13,607)</u>
Treatment				
Contractual Services	641	79	10,000	(9,921)
Commodities	10,205	12,772	2,000	10,772
Capital Outlay	40,000	49,997	60,000	(10,003)
Total Treatment	<u>50,846</u>	<u>62,848</u>	<u>72,000</u>	<u>(9,152)</u>
General and Administrative				
Contractual Services	4,146	5,970	8,000	(2,030)
Commodities	859	376	2,000	(1,624)
Capital Outlay	-	-	5,000	(5,000)
Total General and Administrative	<u>5,005</u>	<u>6,346</u>	<u>15,000</u>	<u>(8,654)</u>
Total Expenditures	<u>106,938</u>	<u>127,587</u>	<u>159,000</u>	<u>(31,413)</u>
Cash Receipts Over (Under) Expenditures	14,219	17,912		
Unencumbered Cash - Beginning	<u>216,600</u>	<u>230,819</u>		
Unencumbered Cash - Ending	<u>\$ 230,819</u>	<u>248,731</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS**Solid Waste Disposal Fund**

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
User Fees	\$ 93,794	93,468	95,000	(1,532)
Expenditures				
Contractual Services	89,784	89,292	90,000	(708)
Commodities	-	-	4,000	(4,000)
Capital Outlay	-	-	1,000	(1,000)
Total Expenditures	89,784	89,292	95,000	(5,708)
Cash Receipts Over (Under) Expenditures	4,010	4,176		
Unencumbered Cash - Beginning	50,587	54,597		
Unencumbered Cash - Ending	\$ 54,597	58,773		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Ness City Public Library
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental	\$ 10,797	12,058
Interest	461	405
Collections	8,512	5,494
Appropriations	83,800	86,340
Total Cash Receipts	<u>103,570</u>	<u>104,297</u>
Expenditures		
Personal Services	66,522	74,623
Contractual Services	11,126	10,687
Commodities	11,802	13,034
Total Expenditures	<u>89,450</u>	<u>98,344</u>
Cash Receipts Over (Under) Expenditures	14,120	5,953
Unencumbered Cash - Beginning	<u>44,910</u>	<u>59,030</u>
Unencumbered Cash - Ending	<u>\$ 59,030</u>	<u>64,983</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Ness City, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The City is a municipal corporation governed by an elected five-member council. These financial statements present the City (primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

The component unit section of these financial statements includes the financial data of the discretely presented component unit. The component unit is reported separately to emphasize that it is legally separate from the City. The governing body of the component unit is appointed by the City.

Ness City Public Library

The Ness City Public Library is organized under Kansas statutes for the purpose of operating a public library for the benefit of the City. Acquisition or disposition of real property by the Library must be approved by the City. Bond issuances must also be approved by the City. The Library's board members are appointed by the City Council. The City substantially funds the Library's operations by levying tax dollars for the Library.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2010.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Capital Projects Funds – to account for financial resources to be used for the acquisition or construction of major capital facilities.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Category

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There was one budget amendment for this year for the Sewer Utility Fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds and the following special revenue funds: Capital Improvements Fund, Equipment Reserve Fund, and Guest Tax Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2010.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At December 31, 2010, the City's carrying amount of deposits was \$1,880,243 and the bank balance was \$1,980,372. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,730,372 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2010, the City's component unit, the Ness City Public Library's, carrying amount of deposits was \$64,983 and the bank balance was \$69,400. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$69,400 was covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2010.

Compensated Absences

The City's policy regarding vacation time permits employees with up to 10 years of service two weeks of vacation per year and those employees with more than 10 years of service three weeks of vacation per year. Vacation pay is non-cumulative. Employees are permitted one day of sick leave per month. Sick leave is cumulative up to 90 total days. Both vacation and sick leave lapse upon termination of employment.

Defined Benefit Pension Plan

Plan Description

The City contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2010 was 7.14%. The City's employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$16,542, \$14,066, and \$10,986, respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts.

Reimbursements

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Ness City, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2010 were as follows:

From	To	Statutory Authority	Amount
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	\$ 35,500
General Fund	Capital Improvements Fund	K.S.A. 12-1,118	80,000
General Fund	Airport Improvements Fund	K.S.A. 12-1,118	20,000
Capital Improvement Reserve Fund	Chestnut Bridge Project Fund	K.S.A. 12-6a16	46,700

NOTE 3 – CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements and Accounts Payable To Date
Airport Improvements	\$ 2,735,481	\$ 265,400
Chestnut Street Bridge Project	213,127	203,130

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 4 – LITIGATION

City of Ness City, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE 5 – RISK MANAGEMENT

City of Ness City, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, crime, workers compensation, and linebacker. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – GRANTS AND SHARED REVENUES

City of Ness City, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 7 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Ness City, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 8 – RELATED PARTY TRANSACTIONS

The following related party transactions were identified for 2010. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

Ness City Farm and Feed

Gary Gantz is the owner of the company and was the Mayor in 2010:

Supplies	\$8,779
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Healzer Tire

Stan Healzer is the owner of the company and was a council member in 2010:

Repairs	\$1,193
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NOTE 9 – LONG-TERM DEBT

City of Ness City, Kansas has the following types of long-term debt.

KDHE Revolving Loan

The City enacted a \$1,150,000 revolving loan agreement on November 18, 2004 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance Public Water Supply System Project #2416. The City will use proceeds generated by the operation of the facility for loan repayment, which began February 1, 2007.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 9 – LONG-TERM DEBT (continued)

Lease Obligations

The City has entered into a lease agreement for an Elgin Pelican NP Street Sweeper with an option to purchase at the expiration of the lease term. The lease contains a fiscal funding clause.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 9 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2010 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Revolving Loan	3.31%	11/18/2004	\$ 1,150,000	2/1/2027	\$ 956,762	-	(41,448)	915,314	34,642
Capital Lease									
Elgin Pelican NP Street Sweeper	3.81%	2/29/2008	115,925	2/29/2013	93,880	-	(22,171)	71,709	3,576
Total Long-Term Debt					\$ 1,050,642	-	(63,619)	987,023	38,218

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 9 - LONG-TERM DEBT (continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR								
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026	Total
Principal									
Revolving Loan	\$ 42,979	44,567	46,213	47,920	49,690	277,372	332,522	74,051	915,314
Capital Lease	23,015	23,892	24,802	-	-	-	-	-	71,709
Total Principal	65,994	68,459	71,015	47,920	49,690	277,372	332,522	74,051	987,023
Interest									
Revolving Loan	33,111	31,523	29,877	28,170	26,400	103,080	47,929	2,039	302,129
Capital Lease	2,732	1,855	945	-	-	-	-	-	5,532
Total Interest	35,843	33,378	30,822	28,170	26,400	103,080	47,929	2,039	307,661
Total Principal and Interest	\$ 101,837	101,837	101,837	76,090	76,090	380,452	380,451	76,090	1,294,684